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## **SUCCESSOR AGENCY to the REDEVELOPMENT AGENCY of the CITY of BURBANK**

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**DATE:** January 7, 2013

**TO:** OVERSIGHT BOARD

**FROM:** Ruth Davidson-Guerra, Assistant Community Development Director/  
Successor Agency Implementing Official



**SUBJECT: NON-HOUSING DUE DILIGENCE REVIEW**

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### **RECOMMENDATION**

As prescribed by Section 34179.5 of the Health and Safety Code, staff recommends that the Oversight Board review the Due Diligence Review (DDR) for the Non-Housing Funds of the former Redevelopment Agency; and receive public comment on the proposed DDR. The Board will not take action on this matter until its meeting of January 14, 2013.

### **BACKGROUND**

On February 1, 2012, all redevelopment agencies in California were dissolved in accordance with AB1X 26, which amended the Health and Safety Code by providing the wind-down process for redevelopment agencies. Later in June 2012, as part of the State's annual budget process, a trailer bill, AB 1484, was approved. This bill further amended several sections of the Health and Safety Code; and one such amendment is Section 34179.5, which describes the required DDR process.

The primary purpose of the DDR is to ascertain the amount of: cash and cash equivalents on hand; outstanding enforceable obligations; and the nature of any transfers of funds and/or property that were made after January 1, 2011. This process will ultimately provide the County and State with an accounting of assets that could be available for distribution to taxing entities.

As prescribed by law (described in Health and Safety Code, Section 34179), there are two components to the DDR: 1) a review of the Housing Fund<sup>1</sup>; and 2) a review of all other non-housing funds. Each component has a prescribed timeline, with milestone dates as indicated as follows:

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<sup>1</sup> The Housing DDR was completed and a payment of \$38 million has been made to the County Auditor-Controller.

| <b><u>ACTIVITY</u></b>   | <b><u>HOUSING</u></b>                             | <b><u>NON-HOUSING</u></b> |
|--|---|---------------------------|
| DDR results submitted to OB, DOF, County Auditor-Controller and Others by:                                   | Oct. 1, 2012                                      | Dec. 15, 2012             |
| OB to receive public comment at least five days before approval by:  | Oct. 8, 2012                                      | Jan. 8, 2013              |
| OB to approve DDR by:  | Oct. 15, 2012                                     | Jan. 15, 2013             |
| DOF completes review and will notify OB and Successor Agency of its determination by:                        | Nov. 9, 2012                                      | April 1, 2013             |
| Successor Agency requests a meet and confer with DOF if necessary, within five days of Determination, or by: | Nov. 16, 2012                                     | April 6, 2013             |
| DOF will confirm or modify its determination/decision  | Within 30 days of meet and confer                 |                           |
| Successor Agency transmits funds to County Auditor-Controller  | Within 5 days of final DOF determination/decision |                           |

## **DISCUSSION**

As discussed in greater detail in the DDR (Exhibit A) Simpson & Simpson, the Successor Agency's auditing firm performed numerous procedures in accordance with statutory requirements. In total, 11 separate procedures (some with numerous components) were considered. The DDR provides a narrative on all procedures performed (including the citations of the law upon which the procedures were based) and the result of each specific investigation.

While the DDR is somewhat complicated, it is easier to navigate the document by focusing on the exhibits to the report, which focus on the following:

|                  |  |
|------------------|--|
| Exhibit I        | All Assets as of January 31, 2012  |
| Exhibit II-A & B | Assets, Cash, and Cash Equivalents Transferred After January 2011        |
| Exhibit III      | Summary of Financial Transactions (Multi-Year)                           |
| Exhibit IV       | List of Assets as of June 30, 2012                                       |
| Exhibit V        | Summary of Bond Reserves   |
| Exhibit VI       | Recognized Obligations Payment Schedule (ROPS) II                        |
| Exhibit VII      | ROPS – III (as approved by DOF)  |
| Exhibit VIII     | Summary of Balances Available for Allocation to Affected Taxing Entities |

Exhibit VIII summarizes the outcome of all procedures performed and identified in Exhibits I through VII. Exhibit VIII identifies a “bottom line” negative balance of roughly \$7.2 million, which indicates that no remaining funds are available for allocation to the affected taxing entities.

### **FISCAL IMPACT**

There are no fiscal impacts associated with receiving public comment on the DDR.

### **CONCLUSION**

The State’s goal of dissolving redevelopment in California was to capture funds to help balance the State budget. AB 1484 prescribes a DDR process by which to audit the asset balances of former redevelopment agencies, and to determine how much funding is available for distribution to taxing entities. The Non-Housing DDR process has resulted in identifying no funds, which are available for distribution to the affected taxing entities.

The Oversight Board will, at today’s meeting receive public comment on the DDR, but will take no action on the matter until the meeting, currently scheduled for January 14, 2013.

### **EXHIBITS**

Exhibit A – Simpson & Simpson Non-Housing DDR Report